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Your Firm, Fintech, and Financing Advisory

How to meet increased client demand
for financing guidance, boost firm
revenue, and aid in staff retention,
all while using existing firm resources



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Introduction

How can your clients tap into the financing sources they need to reach their goals? Answering this question has historically been outside the purview of many firms' relationships with their clients. Today, your firm may help clients identify the need for financing (through federal loans, for example), but that's where the conversation stops. Identifying where to get financing, applying for loans, and securing capital at reasonable terms have traditionally been driven by the client, leaving firms in the passenger seat on some of the most important financial decisions their clients can make.

However, this dynamic has changed swiftly in recent years. At the height of the pandemic, for example, many firms helped their clients secure Paycheck Protection Program (PPP) loans, opening a new door in their relationships. Beyond the PPP, other government programs such as the Economic Injury Disaster Loan (EIDL) and the Employee Retention Tax Credit (ERTC) have allowed firms to support their clients in vital ways. Meanwhile, fintech (financial technology) offerings have exploded over the past few years, bringing powerful tools for securing financing within reach. Firms can harness these tools to help clients in new ways – a combination of advisory-level guidance (helping the client identify available financing sources that they would otherwise not know about) and practical, visible, bottom-line impact (helping them secure the financing quickly, at favorable terms).

Using fintech solutions to directly enable and support client goals is a relatively new development among CPA firms. Most firms have only scratched the surface of what is possible with these solutions, if they have used them at all. But this is changing rapidly. As CAS (client advisory services) and tax advisory services

What is Fintech?

Fintech is short for “financial technology,” covering a wide range of solutions that disrupt traditional financial services. They include everything from digital tools and apps for depositing checks and paying bills to more advanced capabilities in blockchain and peer-to-peer lending.

Accounting firm clients may rely on fintech for payment processing, e-commerce transactions, and government loan programs such as the Payroll Protection Program (PPP).

mature, firms are finding new ways to add client value through holistic business advisory services, with fintech solutions emerging as a natural way to help clients reach their goals. By offering fintech-enabled financing solutions as a part of a CAS or tax practice service line, firms can extend their role as a trusted advisor into financing.

This article provides you with a foundation for scoping the opportunity that fintech provides to your clients, establishing a strategy for delivering financing advisory services enabled by fintech solutions, and delivering these services within the context of your firm's CAS or tax practice.

Increasing client demand for financing guidance

Costs have increased across the board, and inflationary pressures are exacerbating clients' financial challenges. Even talent is more difficult to find and retain. As a result, it is widely expected that small and midsize businesses in particular will seek additional capital and cash flow to cover increasing costs and expenses. Many are already doing so.

How will clients secure the financing they need to continue growing in the face of economic uncertainty? Loans from both government and banking sources can fuel their efforts. But loans present their own challenges. A steady stream of rate hikes from the Federal Reserve mean that it is more difficult for clients to gain access to capital at all, let alone secure financing at favorable terms. Plus, the loan application process is onerous and time consuming for both the business and their CPA firm. Your clients don't want to spend time applying for financing that may be costly, while you don't want to spend time shopping for loan products on their behalf, submitting multiple applications to different lenders, and dealing with one-off requests for paperwork.

Today, business owners report a host of obstacles that threaten their ability to secure financing quickly enough to make an impact on their businesses, including:

- Slow processing times
- Low approval rates
- No transparency on decisions
- Paperwork burden
- Lack of security for personal data
- Poor application experience

Accounting firms are uniquely prepared to help guide clients through these challenges to achieve the business outcomes they seek.

Financing advisors tend to focus on cash flow management, lending assistance, and financial and strategic planning. By combining economic and financial expertise, access to data, and advanced technology, tax and accounting firms can fulfill the role of a trusted financing advisor to their business clients.

Why tax and accounting firms are best suited to provide financing guidance

Tax and accounting firms are best positioned to help businesses achieve their financing needs, because CPAs have a holistic understanding of their clients' businesses and growth goals. Pursuing a strategy that incorporates fintech empowers your firm to take a driver's seat in the financing process.

On any given day, CPAs have a superior working knowledge of their clients' businesses, in intimate detail. CPAs understand and have ready access to clients' financial statements and know their short-term and long-term cashflow needs. These insights are critical when clients face the financing evaluation process. As more firms look to grow their client advisory services practices, financing becomes a natural extension of their advisory services. Often when providing outsourced CFO services, financing is imminent.

Before fintech, firms played a passive role when their clients needed financing which presented challenges and positioned the firm in a reactive position. Paperwork requests created a highly inefficient game

of back and forth, leaving the client as the middleman and the firm with limited visibility and influence throughout the process while countless hours of time were lost [See image 1].

By pairing fintech with the insights, data, and advisory-led client relationship provided by the firm, a new approach to financing emerges. This model allows the firm to take the lead in the financing process, tapping into an interconnected fintech ecosystem that allows the firm to eliminate or automate many of the complex, time-consuming tasks that contribute to the unwieldy financing process in place at many banks and lending institutions today [See image 2].

For firms, fintech becomes a powerful way to ramp up their financing capabilities quickly. With lightweight implementation requirements, fintech-based financing tools can give accounting firms and their clients unprecedented financing capabilities and visibility to the application process that would have been out of reach only a few years ago.

Image 1

The Decentralized Financing Approach

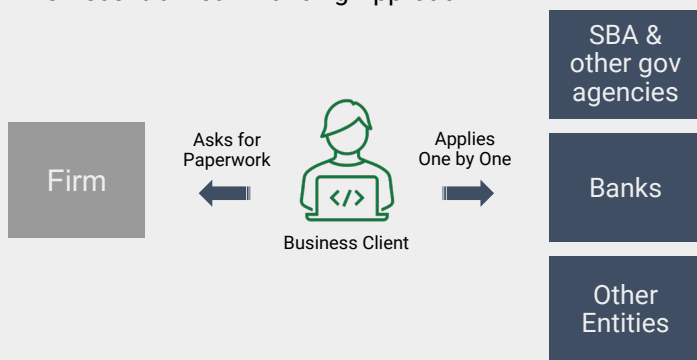
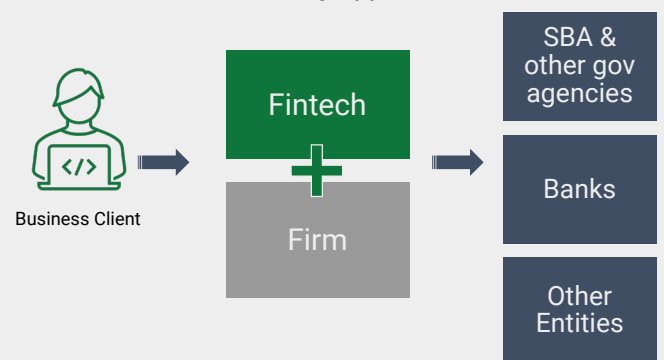


Image 2

The Firm + Fintech Financing Approach



While clients have access to many of the same tools, there are several reasons they're unlikely to use them on their own. For starters, many small and midsize clients are already struggling to manage their existing technology infrastructure. Adding yet another component creates an additional layer in their technology management responsibilities. Clients may be willing to manage solutions that address recurring needs, but financing is typically needed only intermittently. As a result, most clients would prefer to work with a partner who is already skilled in navigating fintech-enabled financing solutions rather than adopting new technology on their own.

This presents an important opportunity for your firm to play a more central role in your clients' businesses.

**It is a role that is both strategic and tactical:
You can not only help your clients scope their financing needs based on your knowledge of their businesses, but you can also take the next step to secure financing on your clients' behalf.**

For firms providing this level of service, the outcome is often a stronger bond with clients that contributes to longer, more productive relationships based on strategic advisory capabilities.

What are firm leaders saying about financing advisory?

"We're entering into a new service offering for the profession by being able to work more closely with the lender and secure funding for our clients through fintech. This really helps us maintain that strong bond as the trusted advisor."

– Travis Miskowitz, Partner, CFO Advisory Group,
WISS & COMPANY, LLP



Is fintech-enabled financing advisory right for your firm and clients?

The benefits to your firm in playing a more central role in client financing are becoming increasingly clear – especially in the wake of government programs like PPP, EIDL, and others where many firms first engaged with their clients on business relief and financing. Firms must evaluate for themselves whether financing advisory is a good match for them and their clients.

For those considering whether financing assistance and advisory is a good fit, several important questions should guide the decision-making process.

Why should we provide financing advisory services?

Profits: Financing advisory services provide a new revenue stream for firms. This is a result of automating tasks and creating time-savings, as well as implementing certain pricing models (for more on pricing, see page 10). Because providing financing advisory services leverages fintech capabilities, it does not require additional staff, nor is it likely to significantly impact existing staff capacity.

Staff retention: For staff who are constantly seeking to push their careers in new directions, financing advisory offers a fresh opportunity for growth, allowing them to gain deeper insights into their clients and providing them with new skills. As more firms seek ways for staff to gain experience supporting strategic advisory services earlier in their careers to enable career growth and development, financing advisory is a great opportunity.

Client relationships: Leaders at firms that provide financing advisory report that their client relationships have strengthened as a result of their successful efforts to secure financing. Financing advisory can open the door to long-lasting advisory-level client relationships by showing clients that you're interested and committed to their long-term success.



Financing advisory: Services firms are providing today

The financing advisory services that firms provide to clients can vary and are dependent on client need and related firm services. The most frequently provided activities include:

- Business relief assistance
- Business model adjustments
- Capital management
- Lending assistance
- Bank relationship management
- Workforce environments
- Tax credit eligibility review

When is the right time for our firm to begin providing these services?

Client needs: When clients ask for help with a problem, their need is obvious. But clients may not ask for help with their financing needs because they may not be aware that the firm can support them. To help determine the demand and identify the best candidates for financing advisory services across your client portfolio, use existing client financing data and probe likely clients about their financing needs.

Comfort level: Ask yourself these questions to help assess your firm's comfort level:

- Is your firm familiar with the various financing products and fintech solutions available to deliver financing advisory services?
- Does your firm have an identified financing advisory champion?
- Is your financing advisory champion capable of educating both firm leadership and staff on why it is important to insert financing into client conversations, and what are the different financing products and services available to clients?

Season: For firms that provide primarily tax services, offering financing advisory services can be as simple as adding it as an option to your firm's business tax package before tax season (client billing strategy covered on page 10).

How should we structure our financing advisory service?

Establish the service offering: There is a breadth of financing products and supporting activities firms can provide today using fintech solutions. These range from financing products such as term loans and working capital to activities such as document collection and underwriting support. To begin, first identify which products and services are most needed by your clients, determine what your firm is prepared to offer, and use that information to define the service offering.

Begin client outreach: The financing advisory service offering should be shaped by insights from client conversations. Begin client outreach well in advance of launching the offering. This will allow you to solicit valuable insights to inform the development of your service and pave the way for future engagements once the service is launched.

What is the ideal client for financing advisory services?

The answer changes from firm to firm – and it directly affects every decision in the process of launching these services. Start by looking for clients in industry verticals that are widely known to be facing business financing challenges. If the firm has multiple clients or has a niche service in any of the following industries, there is a high likelihood that the firm can provide financing advisory services effectively and profitably:

- Restaurants
- Real estate & construction
- General contractors
- Home healthcare
- Elder care & assisted living
- Retail

Industry alone is not enough to determine whether a client is likely to need financing help. Firms should have a view of clients' business goals, challenges, and other reasons they may need additional financing. These situations are useful predictors of financing needs:

- Growth or expansion
- Short-term expenses (such as payroll or hiring)
- Equipment or machinery purchase
- Operational cash flow improvements
- Adding inventory

Using insights into each of these aspects of their client portfolio, firms can start a list of likely client candidates – and quickly assess the viability and reach of a new financing advisory service.



Getting started – pricing, packaging, and structuring the engagement

The decision to offer financing advisory services sets off a chain of activities on the path to launch. Here are some of the most important actions firms should take.

Identify related services

Many firms have discovered that services they already offer to clients provide the most effective onramps to financing services. A client conversation about budgeting and forecasting, for example, could easily lead to a deeper discussion about financing needs. Plus, the whole may be greater than the sum of its parts: There is often additional value that comes from combining services.

Services that can be tightly connected to financing include:

- Bookkeeping
- Financial statements
- Business tax prep
- Accounts Payable / Accounts Receivable
- Budgeting and forecasting
- Cash flow management
- Human Resources and payroll
- Expense/Spend management

Select fintech partners

The list of companies providing financing services is growing to keep pace with client demand. As a result, your firm and your clients have options. An effective firm strategy is to build relationships with several vetted, trusted providers meeting a range of client needs and preferences to provide clients with multiple options for financing.

While the list of fintech-enabled financing partners is growing, few are specifically dedicated to working with CPAs. CPA.com, the business and technology subsidiary of the AICPA, has recognized Biz2Credit as its preferred partner for fintech financing solutions.

CPA.com, the AICPA, and Biz2Credit partnered together in 2021 to develop the [CPA Business Funding Portal](#), a fintech financing program used by more than 6,000 CPAs and small business advisors to secure approximately 40,000 PPP loans totaling more than \$1 billion in business relief. The solution has since expanded to offer additional financing types including Term Loans, Working Capital, Employee Retention Tax Credit (ERTC) Loans, and Commercial Real Estate (CRE) Loans.

Set the client billing strategy

Below are four different client billing models that firms are using for financing advisory. Deciding which strategy to use depends on a host of firm- and client-specific factors.

- Fixed pricing as part of a subscription bundle. This is the preferred strategy for firms that are building a tiered subscription model for services, with levels such as basic, plus, and premier. Since this is a value-billing model rather than hourly, it is easier to layer in services based on their value to the client.
- Fixed pricing as part of a stand-alone agreement. This model is often pursued by firms with robust financing advisory services. Firms with a structured engagement and proven model may be well positioned to assign a fixed price for this service as a stand-alone engagement.
- Hourly pricing as part of a stand-alone engagement. This model may present a challenge for some firms since providing these services is not meant to be time-consuming, so using an hourly rate may hinder profitability.

- Offset other client fees with commission. Some firms choose not to bill for these services, instead viewing it as a value-add for client relationships. In this model, the firm partners with fintech providers such as Biz2Credit who pay commissions directly to the firm for each funded client application, which the firm can use to invest internally or use to offset other client fees.

Engagement letters for financing advisory: Separate or part of existing agreements?

Some firms choose to combine the engagement letter for financing advisory services into existing CAS or tax advisory engagements. Others require a separate engagement letter devoted to financing advisory. There is no right answer for all firms – the choice depends on firm and client preferences and a range of other firm-specific factors.

Regardless of where it appears, firms should include a clear expression of the value of financing advisory services to the client in their formal engagements. For firms receiving commissions, disclosure is required.

“Will we jeopardize our independence?”

In general, providing financing advisory services, including lending assistance and access to alternative lending through fintech partnerships does not inherently impair independence.

Each firm is responsible for assessing and monitoring their independence requirements based on services they’re providing. CPAs and other professional staff may undertake a fiduciary obligation to clients when they assume specific roles. For firms providing attest services, receiving commissions on funded loans may impair independence. A firm's receipt of a commission from an attest client is a violation of the Code of Professional Conduct.

For additional information or inquiries regarding independence, you may review the AICPA’s guidance at: [AICPA.org](https://www.aicpa.org), or e-mail the AICPA Professional Ethics Division at ethics@aicpa.org.

The time is now

From ongoing economic uncertainty and increased competition to thinning margins and the battle for talent, CPA firms are facing a range of challenges all at once. Continuing to grow and thrive in these headwinds will require innovation. Fortunately, this occurs at a moment when a host of powerful new technologies are opening the door to possibilities that would have been unthinkable only a few years ago.

Fintech solutions present some of the most immediate, significant opportunities for firms to innovate – a natural extension of the strengths that firms bring to their client relationships. The economic uncertainty, the continuous role that firms play in helping clients secure government aid, along with the emergence of new fintech solutions, have made a strong case for the potential impact firms could have on clients through financing support.

This is the moment for firms to act – when clients have a demonstrated need, the technology is proven and mature, and firms are seeking to establish new inroads with clients. Fintech solutions can empower firms to deepen client relationships and introduce sustainable new revenue streams. For more insights and practical resources for starting the financing journey, please visit www.cpa.com/business-funding.

About CPA.com

CPA.com brings innovative solutions to the accounting profession and is an established thought leader on emerging technologies as the trusted business advisor to practitioners in the United States, with a growing global focus.

A subsidiary of the American Institute of CPAs, the company's core mission is to drive the transformation of practice areas, advance the technology ecosystem for the profession, and lead technology research and innovation efforts for practitioners. Visit CPA.com to learn more.



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- **Biz2Credit Resources:**
 - [CPA Business Funding Portal](#)
 - [Financing Advisory and Funding Portal FAQs](#)
- **AICPA Resources:**
 - [SBA Paycheck Protection Program \(PPP\) Resources for CPAs](#)
 - [Employee Retention Credit Guidance and Resources](#)

About Biz2Credit

Founded in 2007, Biz2Credit has arranged more than \$7 billion in small business financing. Biz2Credit is focused on funding what's next for small business. The company leverages data, cash flow insights, and the latest technology to give business owners an automated small business funding platform to fit their financial needs.

With over 500 employees globally, the Biz2Credit team is building the next generation in business lending solutions. Visit Biz2Credit.com to learn more.

